

Salmat reports revenue and earnings growth as business transformation takes effect

Salmat Limited (ASX:SLM) today released its results for the half year ended 31 December 2016.

Half year revenue of \$224.5 million was up 4.3% on the second half of FY16, though it remained down 4.7% on the prior corresponding period (pcp). EBITDA of \$13.4 million was up 28.8% on the previous six months and 45.7% on the pcp.

“Salmat has transformed significantly over the past two years,” said Salmat CEO Craig Dower. “The major changes are now complete: our priority is new business and revenue generation.

“The underlying EBITDA growth we’ve achieved this year reflects the progress we have made with this transformation. This is the fourth successive half that we have posted earnings growth.

“While there is still work to be done, we are on track to achieve the sustainable and profitable growth that we are targeting,” said Mr Dower.

Group results

\$ million	1H17	1H16	Change % pcp
Revenue	224.5	235.6	(4.7%)
EBITDA	13.4	9.2	45.7%
Profit before income tax	5.4	1.2	350%
Income tax expense	(1.2)	(1.7)	(29.0%)
Net profit/(loss) after tax	4.2	(0.5)	*

* No meaningful figure

Revenue of \$224.5 million was up 4.3% on the second half of FY16. It was \$11.1 million down on 1H16 as new business is not yet fully compensating for the decline in revenue following the product and services rationalisation. Reduced discretionary spend and expired contracts also impacted total revenue. New business growth during the half mainly took place in Digital and Contact.

EBITDA of \$13.4 million was up 46% on the pcp. Cost savings from the transformation program continued to assist improvement at this line and earnings from new business also made a positive contribution. These factors outweighed the impact of lost EBITDA from expired contracts, price pressure in the Media segment and reduced discretionary spend by clients.

Profit before income tax of \$5.4 million marked an improvement of 350% on \$1.2 million in 1H16. Depreciation and amortisation as well as net interest expense remained consistent year on year.

Net profit after tax of \$4.2 million contrasted with a \$0.5 million loss in the prior corresponding period.

Net cash at 31 December 2016 was \$8.0 million, down from \$14.6 million at 30 June 2016. Net operating cash inflow was positive at \$6.1 million, however total cash reduced mainly due to a \$19.9 million expense in part consideration for the remaining 50% of the MicroSourcing acquisition. The rights issue conducted during the half to help fund the acquisition generated net cash of \$14.1 million. Approximately \$15 million total remains due in 2017 in the form of final payments for MicroSourcing and deferred consideration relating to the Netstarter acquisition.

Dividend The Board has elected not to pay an interim dividend for this period following the substantial payment for the remaining 50% acquisition of MicroSourcing. Dividends will continue to be considered in the context of Salmat's capital management strategy.

Summary

"The business transformation of the past two years has effectively focussed our attention on areas of market leadership, simplified every aspect of our operations and built the foundations for growth. Now more than ever, Salmat is well-placed to take advantage of market opportunities, as we aim to drive further profitable revenue," said Craig Dower.

"Revenue reduced for a period due to the product and services rationalisation but has grown again in this half. EBITDA has increased period on period since we started the transformation. We are maintaining a focus on costs and targeting additional business to continue this course.

"While we have made good progress with the transformation, external headwinds have persisted. Given the changing retail landscape and recent print industry consolidation, Salmat is currently considering a number of strategic options to help drive profitable growth and maximise shareholder value. We will work through these options during the second half of FY17," said Mr Dower.

-ENDS-

ABOUT SALMAT

Salmat is a leading Australian marketing services business. We partner with our clients to help them with the constant pressure of acquiring and servicing their customers, week-in, week-out. With media, digital and contact capabilities, we have the right solutions for our clients, enabling them to Reach, Convert and Serve more customers.

Founded in 1979, Salmat has evolved from a small letterbox distribution business to an ASX-listed company. With a talented team across four countries, we work with some of Australia's most recognised and trusted brands to manage billions of customer interactions every year.

Reach: We offer the broadest reach media (online & offline), with the ability to target individuals and up to 17 million people.

Convert: We deliver conversion across multiple channels, creating more opportunities for our clients' customers to buy.

Serve: We make every one of our clients' interactions count online and offline.

For further information, please contact:

Craig Dower
Chief Executive Officer
+612 9928 6500

Peter Mattick
Chairman
+612 9928 6500